

ORIGINAL

NEW APPLICATION



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ANTELOPE RUN WATER COMPANY

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2009 JUN -2 A 9:28 TUCSON, ARIZONA 85754

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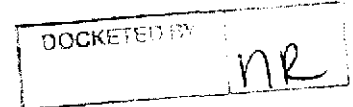
AZ CORP COMMISSION
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Arizona Corporation Commission

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JUN -2 2009

May 29, 2009



Arizona Corporation Commission
Utilities Division
1200 W. Washington
Phoenix, Arizona 85007

W-02327A-09-0284

Re: Request for Emergency Sur-Charge implementation.

This letter will serve as a request for emergency rate relief by way of implementing an emergency sur-charge for Antelope Run Water Company ("ARWC") located in Sierra Vista, Arizona. ARWC is owned by Bob Watkins. Mr. Watkins no longer has the ability to fund the ailing water system and fears the water utility will become insolvent and/or run out of water. This water system is one of three water systems owned by Mr. Watkins and we are submitting a request for emergency relief for all the systems separately.

ARWC serves approximately 76 water customers and is in desperate need of storage with no way to obtain the funds necessary to acquire storage at this time. The system has extremely low pressure and low volume especially in the summer months that gets worse each year. The static water level of their well was 90' it is now 160' and the pump is set at 180'. The lack of pressure is due to lack of storage and inadequate pumps (2 - 5 hp). The system has gone through 15 to 20 pumps in the last two years. One well was taken out of service due to continued contamination problems.

Water is pumped from two wells at the extreme north end of the system and is pumped about a mile with an elevation lift of approximately 500 feet to the small (12,000 gallon) storage tank which serves about half the system. It is then pumped uphill approximately another 5 - 600 feet to service the homes on top of the hill. A lift station is desperately needed to provide adequate pressure to the upper elevations of water services. One of the biggest problems is that the pressures at the bottom of each zone has to be around 120psi to get 50 psi on the top. This is hard on the pumps and pressure tanks.

In 2008 a 1300' line extension was put into place which will surely compound the pressure situation this summer making the situation even more urgent than last year. There is a very real danger that this system will completely run out of water and not be able to maintain minimum pressures required.

The water table in the area has dropped for this system as well as others in the area, pumps cavitate as the wells do not produce the water they once did.

The water level in neighboring wells has dropped enough that homeowners have opted to connect to the Antelope Run system rather than incur the cost of deepening wells. This is adding to the continued burden to the system.

The demands on the system are sometimes more than the system is capable of producing and therefore cause low pressure conditions and we fear the worst in the heat of the summer months. The water company has been approached by several churches that are being built in the area but there is inadequate supply to service them. The Fire Department has also requested hydrants but there is insufficient infrastructure to provide the water to the hydrants.

The company has been unable to generate revenues sufficient to meet its operating expenses

To date the company has amassed accounts payable of approximately \$20,800.00.

The Watkins family is unable to fund the operating shortfalls and fears the company will most definitely become insolvent. As of this date the Watkins family has advanced ARWC a total of \$35,000.00 either directly or by funneling money via loaning funds from the other ailing water companies they own.

An emergency sur-charge needs to be implemented as soon as possible to relieve the existing operating expense burden on ARWC.

We consider this an extreme emergency situation and would like to go forward with an emergency surcharge ASAP.

We are in the process of getting financial information together for all of Mr. Watkins ailing systems and will be preparing a rate case as well as a finance application in the very near future. Until then it is our hope that approval of this emergency surcharge can be obtained quickly.

Sincerely,



Bonnie L. O'Connor, President
Southwestern Utility Management, Inc.

For

Bobby Watkins, Owner
Antelope Run Water Company

cc: Bobby Watkins, Owner, Chairman
Nathan Watkins, President, CEO
Arizona Corporation Commission – 15 copies

ANTELOPE RUN WATER COMPANY
CALCULATION OF 2009 PROJECTED INCOME STATEMENT

Acct. No		Jan - Apr 2009	Monthly Average	Monthly Average Annualized	Jan - Dec 2008	2009 Projection w/ Historical Data
	OPERATING REVENUES					
461	Metered Water Revenue	\$ 14,912	\$ 3,728	\$ 44,736	\$ 46,850	\$ 46,322
474	Other Water Revenues	60	15	180	151	158
	TOTAL OPERATING REVENUES	\$ 14,912	\$ 3,743	\$ 44,916	\$ 47,001	\$ 46,480
	OPERATING EXPENSES					
601	Salaries and Wages	\$ -	\$ -	\$ -	\$ 5,400	\$ -
610	Purchased Water		-	-		-
615	Purchased Power	5,823	1,456	17,469	15,296	17,469
618	Chemicals		-	-		-
620	Repairs and Maintenance	666	167	1,998	12,747	7,373
621	Office Supplies & Expense	790	198	2,370	12,332	7,351
630	Outside Services	8,788	2,197	26,364	2,847	26,364
635	Water Testing	150	38	450	1,485	1,485
641	Rents		-	-	900	-
650	Transportation Expenses	1,999	500	5,997	1,572	3,785
657	Insurance - General Liability		-	-		-
659	Insurance - Health and Life		-	-		
666	Regulatory Commsn Exp-Rate Case		-	-		
675	Miscellaneous Expense		-	-	234	234
403	Depreciation Expense		-	-	10,873	10,873
408	Taxes Other Than Income		-	-	457	-
408.11	Property Taxes	1,309	-	1,309	1,167	1,309
409	Income Tax		-	-		
	TOTAL OPERATING EXPENSES	\$ 19,525	\$ 4,554	\$ 55,957	\$ 65,310	\$ 76,242
	OPERATING INCOME/(LOSS)	(4,613)	(811)	(11,041)	(18,309)	(29,762)
	OTHER INCOME/(EXPENSE)					
419	Interest and Dividend Income					
421	Non-Utility Income					
426	Miscellaneous Non-Utility Exp					
427	Interest Expense					
	TOTAL OTHER INCOME/(EXPENSE)	-	-	-	-	-
	NET INCOME/(LOSS)	\$ (4,613)	\$ (811)	\$ (11,041)	\$ (18,309)	\$ (29,762)

ANTELOPE RUN WATER COMPANY
CALCULATION OF MONTHLY SURCHARGE AMOUNT PER CONNECTION

	2009 Projection	Monthly Totals	Monthly Per Connection
Calculation of Surcharge:			
Total Operating Revenues	\$ 46,480		
Total Operating Expenses	76,242		
Operating Income/(Loss)	<u>\$ (29,762)</u>		
Total Other Income/(Expense)	-		
2009 Projected Net Income/(Loss)	<u>\$ (29,762)</u>		
Months in year	12		
Projected Monthly Operating Loss		\$ (2,480)	
Delinquent Accounts Payable	\$ (21,278)		
Months to bring current	12		
Monthly cash flow needed		(1,773)	
Loans from Related Companies	\$ (15,114)		
Months to bring current	12		
Monthly cash flow needed		(1,260)	
Note Payable - B Watkins	\$ (20,000)		
Months to bring current	12		
Monthly cash flow needed		(1,667)	
Total Monthly Loss/Cash Shortage		<u>\$ (7,180)</u>	
Current Customer Connections		165	
Proposed Surcharge Amount			<u>\$ 43.51</u>
Current Rates:			
Monthly Minimum (5/8" x 3/4")		\$ 11.50	
Commodity Rate	\$ 1.00		
Gallons (0 included in monthly minimum)	8,000		
Amount based on usage		8.00	
Monthly Bill at Current Rates Based on 8,000 gallons of usage			<u>19.50</u>
Monthly bill based on 8,000 gallons of Usage plus Proposed Surcharge Amount			<u>\$ 63.01</u>